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SUBJECT: MEDIA REACTION: RMB EXCHANGE RATE, CHINA'S TRADING
RELATIONSHIPS

Editorial Quotes

11. RMB EXCHANGE RATE

"Wen Jiabao: I hope the world's major reserve currencies remain stable"

The Shanghai-based Shanghai Media Group (SMG) publication, China Business News (Diyi Caijing)(11/30)(pg A4): "At present, each country's macroeconomic policy should continue to focus on dealing with the crisis and stimulating economic growth. A premature 'exit' from these policies could cause us to lose the gains we have achieved. As two major economies and important trading partners, China and Europe should take real action to jointly oppose trade and investment protectionism. China has maintained the stability of the RMB exchange rate, which has been an important contribution to global financial stability and economic development. We will continue to keep the RMB stable at a reasonable and balanced level and to make the RMB exchange rate more flexible. We hope that the world's major reserve currencies also remain stable."

12. CHINA'S TRADING RELATIONSHIPS

a. "China-U.S. economic and trade imbalances are a false topic"

The official Communist Party international news publication Global Times (Huanqiu Shibao)(11/30)(pg 15): "History has shown that, over the last 30 years, the trading position and structure of the United States and China have resulted from globalization. Cargo trade is only part of the China-U.S. bilateral economic relationship. An imbalance in cargo trade should not be taken to represent and overshadow the entire China-U.S. economic relationship. The United States has a large lead in services trade and investment when compared to China. Over the past 10 years, the accumulated surplus in U.S. services trade with China was more than \$20 billion. Furthermore, the imbalance in China-U.S. cargo trade is related to U.S. controls on exports to China. The United States' rigid and conservative thinking has restricted American companies' exports to China. Even though China has taken significant steps to expand imports from the United States, the trade imbalance between the two countries still remains. Therefore, more attention should be paid to the cause of the imbalance and its underlying unfairness than to the imbalance itself. The China-U.S. trade imbalance is more than a single issue, not mention the fact that it is not caused by China."

b. "Don't blame trade protectionism on China's excessive productivity"

The official Communist Party international news publication Global Times (Huanqiu Shibao)(11/27)(pg 8): "The EU Chamber of Commerce issued a report criticizing China's 'excessive productivity' for causing global trade disputes. Chinese experts believe that this is a ridiculous conclusion. Liu Zhiqin at the Beijing office of Zurich Bank said that China's economic stimulus measures are primarily

focused on the domestic economy, rather than on exports or foreign demand. In addition, China's consumption goods, which do not include iron, steel, cement, or wind and electricity-related products, are not produced excessively. The report is not based on facts. It is inappropriate to blame protectionism on China. Some Westerners made this theory up in order to scare China and exploit the unnecessary tension to their benefit. Western countries' current increased protectionism towards China is in fact aimed solely at protecting their own interests. "

HUNTSMAN